

**REPORT AND ACCOUNTS**  
**NLC NAME NO. 3 LIMITED**  
**31<sup>st</sup> DECEMBER 1999**

**Registered No. 2859374**



# Directory

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## **Directors**

The Lord Poole  
A J Gibson

## **Secretary**

M D Conway

## **Auditors**

Ernst & Young  
Rolls House  
7 Rolls Buildings  
Fetter Lane  
London  
EC4A 1NH

## **Registered Office**

164 Bishopsgate  
London  
EC2M 4NY

# Directors' Report

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The directors present their report and the audited financial statements for the year ended 31<sup>st</sup> December 1999.

## Principal activity and review of business

The company's principal activity is that of insurance underwriting as a corporate member of the Society of Lloyd's. The company commenced underwriting on 1<sup>st</sup> January 1994. Note 3 to the accounts sets out the syndicate participations of the company for the 1996, 1997, 1998 and 1999 underwriting years of account.

During the year the NLC group has entered into the following transactions:

- the transfer to Chartwell Re. group of the economic interest in all of NLC's open year participations on syndicates managed by Chartwell; and
- a 100% quota share reinsurance contract with Stockton Reinsurance Limited ("Stockton Re") in March 1999 covering all its participations on all Lloyd's syndicates (other than those managed by Ockham subsidiaries or Chartwell Managing Agents Limited) for the four Lloyd's underwriting years from 1996 to 1999 inclusive. The financial effects of this transaction will be accounted for as each underwriting year of account closes.

## Results and dividends

The profit for the year, after taxation, amounted to £551,000 (9 months to 31<sup>st</sup> December 1998: profit of £1,392,000). The directors do not recommend the payment of a dividend (9 months to 31<sup>st</sup> December 1998: £ Nil).

## Accounting presentation

The Department of Trade and Industry has ruled that the company falls within the definition of an insurance company under the Companies Act 1985 and is therefore required to present its financial statements under Schedule 9A of the Companies Act 1985.

As such, the Technical Account and balance sheet include information compiled by Lloyd's on behalf of all corporate members from accounting information provided by the managing agents. Prepared on a calendar year basis, the Technical Account includes proportional syndicate information on premiums, claims, operating expenses, investment returns and technical reserves relating to the third year of the 1996 account, the second year of the 1997 account and the first year of the 1998 account of the syndicates on which the company participates. Similarly, the balance sheet presents the company's net assets together with the proportional share of the assets and liabilities of the underlying syndicates.

This method of presentation has required that the directors rely heavily on information provided by Lloyd's. Whilst the directors have overseen the reconciliation of the balance on the Technical Account at 31<sup>st</sup> December 1999 with a calculation of the amounts due from the syndicates, the directors have not been able to check the consistency and accuracy of the accounting information to the degree which is possible for the company's own transactions.

# Directors' Report

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## Directors and their interests

The current directors of the company are set out on page 1. On 13<sup>th</sup> January 1999, The Lord Poole and A J Gibson were appointed as directors. J A Arvis, AL Brend, J N Duncan, and W M Wilson resigned as directors on 28<sup>th</sup> January 1999. P M Fletcher resigned on 28<sup>th</sup> February 1999. C S Portsmouth resigned on 23<sup>rd</sup> February 2000.

The interests of the directors who held office at 31<sup>st</sup> December 1999 and their immediate families in the share capital of the ultimate holding company are disclosed in the accounts of that company.

## Year 2000 compliance

The directors reviewed the potential impact of the year 2000 on the company's accounting and business operations. The main business risk to the company arises within the various syndicates at Lloyd's of London on which the company participates, and those syndicates are in turn managed by managing agencies that are registered at Lloyd's. Such agencies are required to satisfy Lloyd's that they conform with standards of compliance laid down by Lloyd's. Nevertheless, given the complexity of the problem it is not possible to be certain that no Year 2000 problems will occur.

In addition, as a consequence of being an insurance underwriter, the company has an exposure to claims from policyholders arising from the 'Year 2000' problem. Lloyd's has instituted various market procedures to ensure the brokers and underwriters are compliant and is undertaking further research to monitor the potential underwriting liabilities for syndicates which might arise from the Year 2000 problem. All Lloyd's syndicates are evaluating the underwriting exposures but such an evaluation can only be subjective.

## Auditors

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the board



M D Conway

26 April 2000

# **Statement of directors' responsibilities**

## **in respect of the financial statements**

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The directors are required by company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the results for the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure the accounts comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# Report of the auditors

to the members of NLC Name No. 3 Limited

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We have audited the accounts on pages 6 to 20, which have been prepared under the historical cost convention and the accounting policies set out on pages 10 to 12.

## Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

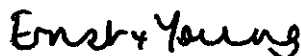
## Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of presentation of information in the accounts.

## Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31<sup>st</sup> December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young  
Registered Auditor  
London

26 April 2000

# Profit and loss account

for the year ended 31<sup>st</sup> December 1999

	Notes	12 months ended 31 <sup>st</sup> December 1999 £000	9 months ended 31 <sup>st</sup> December 1998 £000
<b>TECHNICAL ACCOUNT – GENERAL BUSINESS</b>			
<b>Earned premiums net of reinsurance</b>			
Gross premiums written		18,158	18,263
RITC premiums received from earlier years		5,396	4,814
Total gross premiums	4	23,554	23,077
Outward reinsurance premiums		(5,466)	(5,449)
RITC premiums paid to subsequent years		(7,167)	(15,960)
Net premiums		10,921	1,668
Investment income allocated from the non-technical account	5	709	1,925
Total technical income		11,630	3,593
<b>Claims incurred, net of reinsurance</b>			
<i>Claims paid</i>			
Gross amount		14,761	17,321
Reinsurers' share		(5,170)	(5,236)
		9,591	12,085
<b>Change in provision for claims</b>			
Gross amount		321	(17,458)
Reinsurers' share		(3,230)	1,883
Provision for losses foreseen on open years		304	-
Reinsurers' share		429	-
		(2,176)	(15,575)
Net claims incurred		7,415	(3,490)
Net operating expenses	6	3,732	4,677
Personal expenses		474	977
Investment expenses and charges		9	33
Balance on the general business technical account		-	1,396

# Profit and loss account

for the year ended 31<sup>st</sup> December 1999

	Notes	12 months ended 31 <sup>st</sup> December 1999 £000	9 months ended 31 <sup>st</sup> December 1998 £000
<b>NON-TECHNICAL ACCOUNT</b>			
Balance on the general business technical account		-	1,396
Investment income	5	822	1,978
Investment income allocated to the technical account	5	(709)	(1,925)
Other income		835	-
Other charges	7	17	(62)
Profit on ordinary activities before taxation		965	1,387
Taxation on profit on ordinary activities	9	(414)	5
Profit retained for the financial year/period		551	1,392

## Statement of total recognised gains and losses

There were no recognised gains and losses other than the profit attributable to shareholders of £551,000 in the year to 31<sup>st</sup> December 1999 (9 months to 31<sup>st</sup> December 1998: profit of £1,392,000).



# Balance sheet

as at 31<sup>st</sup> December 1999

ASSETS	Notes	31 <sup>st</sup> December 1999 £000	31 <sup>st</sup> December 1998 £000
<b>Investments</b>			
Other financial investments	10	15,892	20,891
Deposits with ceding undertakings		3	5
		<u>15,895</u>	<u>20,896</u>
<b>Reinsurers' share of technical provisions</b>			
Claims outstanding		16,342	14,140
<b>Debtors</b>			
Due from intermediaries		6,141	6,864
Debtors arising out of reinsurance operations		5,100	10,775
Reinsurance to close receivable from earlier years		11,475	-
Other debtors	11	<u>1,256</u>	<u>1,337</u>
		<u>23,972</u>	<u>18,976</u>
<b>Other assets</b>			
Cash at bank and in hand	12	2,756	3,772
Other	13	<u>1,297</u>	<u>1,758</u>
		<u>4,053</u>	<u>5,530</u>
<b>Prepayments and accrued income</b>			
Sundry debtors	14	350	209
Other prepayments and accrued income	15	<u>174</u>	<u>106</u>
		<u>524</u>	<u>315</u>
<b>Total assets</b>		<u><u>60,786</u></u>	<u><u>59,857</u></u>

# Balance sheet

as at 31<sup>st</sup> December 1999

LIABILITIES	Notes	31 <sup>st</sup> December 1999 £000	31 <sup>st</sup> December 1998 £000
<b>Capital and reserves</b>			
Called up share capital	16	15	15
Profit and loss account	17	(2,428)	(2,979)
Shareholder's funds attributable to equity interests	18	(2,413)	(2,964)
<b>Technical provisions</b>			
Claims outstanding		55,048	56,280
Provisions for losses foreseen on open years	19	613	917
		55,661	57,197
<b>Creditors</b>			
Creditors arising out of direct insurance operations		1,444	1,367
Creditors arising out of reinsurance operations		1,911	1,616
Other creditors including taxation	20	4,136	1,534
		7,491	4,517
Accruals and deferred income		47	1,107
<b>Total liabilities</b>		60,786	59,857

The financial statements were approved by the directors on 26 April 2000.



A J Gibson  
Director

# Notes on the financial statements

31<sup>st</sup> December 1999

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## 1 Going concern

The financial statements have been prepared on a going concern basis because the directors have received a letter of support from New London Capital plc confirming that this company will ensure that the company has sufficient funds for it to continue to meet its liabilities as they fall due.

## 2 Accounting policies

### a) Basis of Preparation

The financial statements have been prepared in compliance with Schedule 9A and other requirements of the Companies Act 1985 as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993, and in accordance with applicable accounting standards.

### b) Cash Flow Statements

In accordance with Financial Reporting Standard Number 1, Cash Flow Statements, the Company is not required to prepare a cash flow statement because more than 90% of the voting rights of the Company are held within the Group and the Group's consolidated financial statements are publicly available.

### c) Basis of accounting for underwriting business

The company underwrites insurance as a corporate member of Lloyd's on a number of syndicates managed by third parties. In view of the position as principal of underwriting members for the transactions of syndicates in which they participate, the attributable share of transactions undertaken by the syndicates has been included in the financial statements. The transactions are undertaken within premium trust funds applicable to the syndicates and profits arising from the underwriting may only be released in accordance with Lloyd's syndicate accounting rules, usually two years after the end of an underwriting year of account, after satisfying Lloyd's solvency requirements for all years of account open at the time of release.

The Technical Account has been prepared by aggregating the company's share of the underwriting transactions (premiums, claims expenses and investment income) of the syndicates of which the company is a member. These transactions relate to the calendar year ended 31<sup>st</sup> December 1999, the most recent year of the syndicates, with comparative figures for the year ended 31<sup>st</sup> December 1998. The underwriting information for the 1999 calendar year comprises the first year of the 1999 year of account, the second year of the 1998 year of account and the third year of the 1997 year of account. The comparative figures comprise the first year of the 1998 year of account, the second year of the 1997 year of account and the third year of the 1996 year of account.

The result shown on the Technical Account for the year ended 31<sup>st</sup> December 1999 comprises the net profits of the 1997 year of account less any provisions for losses in respect the open 1998 and 1999 years of account.

The balance sheet of the company includes the company's shares of the assets and liabilities of the syndicates in which it participated for the 1997, 1998 and 1999 years of account at 31<sup>st</sup> December 1999 with comparative figures at 31<sup>st</sup> December 1998. Technical provisions include in addition any provisions for losses in respect of open and run-off years of account.

The Lloyd's syndicates in which the company participates are managed and controlled by their respective managing agents. The attributable share of the transactions, assets and liabilities of the syndicates included in the financial statements has been incorporated on the basis of audited information supplied by the managing agents to Lloyd's. Lloyd's has aggregated this information to provide the company with statements of the company's attributable share of the transactions.

# Notes on the financial statements

31<sup>st</sup> December 1999

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## 2 Accounting policies - continued

### d) Premiums

Gross premiums written represent premiums receivable on business incepting during the underwriting year of account together with adjustments to premiums written in previous underwriting years of account and including estimates for 'pipeline' premiums. Gross written premiums are stated before deduction of commissions but exclusive of taxes, duties levied on premiums and other deductions.

Outward reinsurance premiums are accounted for in the same accounting period as the related direct insurance contracts or reinsurance contracts except in relation to excess of loss contracts, where the initial premium is charged when due.

### e) Investments

Other financial investments are those attributable to the company's share of the syndicates' investments and are shown at their current value at 31<sup>st</sup> December 1999.

### f) Investment income

Investment income is accounted for on a receivable basis. Interest income is accrued up to the balance sheet date.

Syndicate investments and cash are held on a pooled basis, the return from which is allocated to underwriting years of account proportionately to the funds contributed by the year of account. Investment income and all investment gains and losses relating to syndicate investments and cash are allocated to the technical account.

The company's own investment income and other realised gains and losses are allocated to the non-technical account.

### g) Technical provisions

The underwriting accounts for all classes of business are prepared on a three year basis, in accordance with Lloyd's normal practice. The excess of premiums written and syndicate investment income over the claims and syndicate expenses paid in respect of business incepting in an underwriting year is carried forward for two years in a fund and no profit is recognised until the end of the third year following the start of each underwriting year. The fund is included as part of outstanding claims.

#### Closed years of account

At the end of the third year, the underwriting account is normally closed by way of Reinsurance to Close ("RITC") into the following year of account. The amount of the RITC premium payable is determined by the managing agent who will make provision for the estimated cost of claims notified but not settled at the balance sheet date together with the estimated cost of claims incurred but not reported at that date and claims handling costs. Subsequent variations in these liabilities are borne by the year of account into which it is reinsured. The group therefore has included as part of technical provisions the group's share of the RITC payable.

#### Run-off years of account

Where an underwriting year of account is not closed at the end of the third year ("a run-off" year of account) a provision is determined by the managing agent for the estimated cost of all known and unknown liabilities of that year, on a similar basis to the RITC process. Variations in this liability will remain to be borne by the corporate member. The directors give consideration to the potential for further deterioration of run-off years of account on the basis of information available at the time of drawing up the financial statements and make additional provisions where it is considered appropriate.

# Notes on the financial statements

31<sup>st</sup> December 1999

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## 2 Accounting policies - continued

### Open year loss provisions

Where appropriate a provision for possible losses is made in respect of the open underwriting years of each syndicate on which the group participates. This provision is made on a syndicate by syndicate basis based on information available to the directors at the time of drawing up the financial statements.

While the directors make every effort to ensure that adequate provision is made for possible losses on open years of account and further deterioration of run-off years of account, their view of the ultimate loss may vary in later periods as a result of subsequent information and events. This in turn may require adjustment of the original provisions. Such adjustments are reflected and disclosed in the financial statements for the period in which the related adjustments are made.

### h) Exchange rates

Syndicate assets, liabilities, income and expenditure expressed in US dollars and Canadian dollars are translated at the rates of exchange ruling at 31<sup>st</sup> December 1999. Underwriting transactions in other foreign currencies are included in the accounts at historical rates. All differences on the translation of foreign currency amounts in the syndicates are dealt with in the technical account; other differences are dealt with in the non-technical account.

The company's own assets and liabilities expressed in foreign currency are translated at rates ruling at the balance sheet date.

### i) Operating expenses

Operating expenses comprise the company's share of the operating expenses of the syndicates and the company's own expenses of underwriting. The company's underwriting expenses, which include items such as *Lloyd's subscriptions and Central Fund contributions, together with fees and commissions payable to managing agents and the company's Lloyd's Adviser*, are charged to the Technical Account in the financial period in which the relevant year of account is closed.

### j) Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, which are expected to reverse in the future without being replaced. Advanced Corporation Tax, which is expected to be recoverable in the future, is deducted from net deferred taxation balance.

# Notes on the financial statements

31<sup>st</sup> December 1999

## 3 Underwriting participations

The syndicates on which the company participates by underwriting year of account are as follows:

Syndicate Number	Class	Underwriter	1999 £000	1998 £000	1997 £000	1996 £000
37	Motor	QJ Lovis	3,000	-	-	-
51	Non-Marine	A Taylor	-	3,088	2,085	2,316
79	Marine	BJ Hurst-Bannister	6,300	4,864	2,548	2,548
219	Non-Marine	AJ Kendrick	-	4,632	5,984	5,984
270	Aviation	GGR Knowles	-	-	-	-
386	Non-Marine	RJ Wallace	-	-	-	-
657	Non-Marine	M Coats	-	-	-	-
741	Marine	PPA Wright	-	3,088	3,860	3,860
866	Motor	DA Wiley	-	-	772	772
959	Aviation	RJ Busbridge	-	-	-	-
1096	Non-Marine	RA Stuchbery	4,000	4,632	5,597	5,597
1212	Non-Marine	SJ Burnhope	-	-	-	-
2020	Composite	"Wellington"	3,500	-	-	-
Total Allocated Capacity			16,800	20,304	20,846	21,077

# Notes on the financial statements

31<sup>st</sup> December 1999

## 4 Segmental analysis

The following business has all been underwritten in the United Kingdom in the Lloyd's insurance Market, which has been treated as one geographical segment for the purposes of Statement of Standard Accounting Practice No.25: Segmental reporting. Segmental information in the format required by the Companies Act 1985 is as follows:

Class of business	1999 Gross premiums written £000	1999 Gross claims incurred £000	1999 Operating expenses £000	1999 Re-insurance balance £000
Accident & health	161	(225)	(53)	(87)
Motor- third party liability	2,129	(1,892)	(377)	197
Motor – other classes	1,464	(1,747)	(272)	183
Marine, aviation and transport	1,456	(2,274)	(369)	889
Fire and other damage to property	4,455	(2,861)	(1,096)	882
Third party liability	4,290	(3,320)	(891)	342
Credit and suretyship	882	(806)	(324)	39
Legal expenses	(3)	6	1	(4)
Other	130	(99)	(25)	(26)
Reinsurance acceptances	3,194	(726)	(326)	871
RITC	5,396	(1,442)	-	(7,948)
Total	23,554	(15,386)	(3,732)	(4,662)

Class of business	1998 Gross premiums written £000	1998 Gross claims incurred £000	1998 Operating expenses £000	1998 Re-insurance balance £000
Accident & health	677	(665)	(165)	358
Motor- third party liability	499	(192)	(117)	(92)
Motor - other classes	836	(387)	(164)	(254)
Marine, aviation and transport	2,440	(862)	(709)	877
Fire and other damage to property	4,090	(6,090)	(1,085)	2,904
Third party liability	5,050	(3,971)	(1,275)	(1,494)
Credit and suretyship	380	(259)	(77)	92
Legal expenses	1	(6)	-	5
Other	80	(38)	(22)	(46)
Reinsurance acceptances	4,210	(1,969)	(1,063)	(1,664)
RITC	4,814	14,576	-	(18,742)
Total	23,077	137	(4,677)	(18,056)

# Notes on the financial statements

31<sup>st</sup> December 1999

## 5 Investment income

	12 months ended 31 <sup>st</sup> December 1999 £000	9 months ended 31 <sup>st</sup> December 1998 £000
Syndicate investment income	1,060	1,680
Syndicate realised investment (losses)/gains	(351)	245
Income from Premium Trust Fund release	-	12
Interest received	113	41
	<u>822</u>	<u>1,978</u>
Attributed to technical account	709	1,925
Included in non-technical account	113	53
	<u>822</u>	<u>1,978</u>

## 6 Net operating expenses

	12 months ended 31 <sup>st</sup> December 1999 £000	9 months ended 31 <sup>st</sup> December 1998 £000
Commission / brokerage	3,245	3,434
Exchange adjustments	(629)	179
Syndicate operating expenses	1,116	1,064
	<u>3,732</u>	<u>4,677</u>
Share of syndicate net operating expenses		

## 7 Other charges

The following amounts are included in other charges:

	12 months ended 31 <sup>st</sup> December 1999 £000	9 months ended 31 <sup>st</sup> December 1998 £000
Audit fees	<u>1</u>	<u>4</u>



# Notes on the financial statements

31<sup>st</sup> December 1999

## 8 Staff costs and directors' emoluments

No staff were employed by the company and the directors received no emoluments during the year (period ended 31<sup>st</sup> December 1998: none and £nil).

## 9 Taxation on loss on ordinary activities

	12 months ended 31 <sup>st</sup> December 1999 £000	9 months ended 31 <sup>st</sup> December 1998 £000
Corporation tax recoverable at 30.25% (1998 : 31%)	414	8
Deferred taxation	-	(13)
	<u>414</u>	<u>(5)</u>

## 10 Other financial investments

Other financial investments comprise the company's attributable share of syndicate investments as follows:

	31 <sup>st</sup> December 1999 £000	31 <sup>st</sup> December 1998 £000
Share and other variable yield securities	193	28
Debt securities and other fixed interest securities	13,801	19,189
Participation in investment pools	608	1,171
Loans guaranteed by mortgages	15	-
Deposits with credit institutions	939	280
Other investments	336	223
	<u>15,892</u>	<u>20,891</u>

# Notes on the financial statements

31<sup>st</sup> December 1999

## 11 Other debtors

	31 <sup>st</sup> December 1999 £000	31 <sup>st</sup> December 1998 £000
Attributable share of syndicate other debtors	1,165	801
Deferred taxation	91	91
Other debtors	-	445
	<u>1,256</u>	<u>1,337</u>

The deferred taxation recoverable relates to tax recoverable on provisions for losses on open underwriting years of account.

## 12 Cash at bank and in hand

	31 <sup>st</sup> December 1999 £000	31 <sup>st</sup> December 1998 £000
Deposit accounts	560	780
Attributable share of syndicate cash balances	2,196	2,992
	<u>2,756</u>	<u>3,772</u>

## 13 Other assets

	31 <sup>st</sup> December 1999 £000	31 <sup>st</sup> December 1998 £000
Attributable share of syndicate other assets	1,297	1,742
Premium Trust Fund Release	-	16
	<u>1,297</u>	<u>1,758</u>

# Notes on the financial statements

31<sup>st</sup> December 1999

## 14 Sundry debtors

	31 <sup>st</sup> December 1999 £000	31 <sup>st</sup> December 1998 £000
1997 year of account	101	101
1998 year of account	108	108
Override commission	141	-
	<u>350</u>	<u>209</u>

## 15 Other prepayments

	31 <sup>st</sup> December 1999 £000	31 <sup>st</sup> December 1998 £000
Attributable share of syndicate prepayments	124	56
Other prepayments	50	50
	<u>174</u>	<u>106</u>

## 16 Called up share capital

	31 <sup>st</sup> December 1999 £000	31 <sup>st</sup> December 1998 £000
<b>Authorised</b>		
1,500,000 Ordinary shares of £1 each	<u>1,500</u>	<u>1,500</u>
<b>Allotted, issued and partly paid</b>		
1,500,000 Ordinary shares of £1 each of which 1 penny has been paid up	<u>15</u>	<u>15</u>

## 17 Profit and loss account

	31 <sup>st</sup> December 1999 £000	31 <sup>st</sup> December 1998 £000
Balance at 1 <sup>st</sup> January/1 <sup>st</sup> April	(2,979)	(4,371)
Retained profit for the year/period	551	1,392
Balance at 31 <sup>st</sup> December	<u>(2,428)</u>	<u>(2,979)</u>

# Notes on the financial statements

31<sup>st</sup> December 1999

## 18 Reconciliation of movements in shareholder's funds

	31 <sup>st</sup> December 1999 £000	31 <sup>st</sup> December 1998 £000
Shareholder's funds at 1 <sup>st</sup> January/1 <sup>st</sup> April	(2,964)	(4,356)
Retained profit for the year/period	551	1,392
Shareholder's funds at 31 <sup>st</sup> December	<u>(2,413)</u>	<u>(2,964)</u>

## 19 Provision for losses foreseen on open years

	£000
At 1 <sup>st</sup> January 1999	917
Provided in year	429
Released in year	(733)
At 31 <sup>st</sup> December 1999	<u>613</u>

## 20 Other creditors including taxation

	31 <sup>st</sup> December 1999 £000	31 <sup>st</sup> December 1998 £000
Amounts due to group companies	5,238	2,261
Attributable share of syndicate other creditors	858	876
Taxation	(1,960)	(1,886)
Other creditors	-	283
	<u>4,136</u>	<u>1,534</u>

## 21 Contingent liabilities

- The company has given an undertaking to the Society of Lloyd's, supported by New London Capital plc, that if one of the other corporate member subsidiaries of New London Capital plc fails to meet its obligations to Lloyd's, the company will assign to Lloyd's on demand its rights to current and future profits held in its Premium Trust Funds or contribute profits received out of the Trust Funds to the Central Fund of Lloyd's, until the amount owed by the defaulting subsidiary has been paid in full.
- The company has entered into an agreement with Barclays Bank plc under which Barclays have granted letters of credit amounting to £4,407,537. These letters of credit are in favour of the Society of Lloyd's and form part of the Funds at Lloyd's of these corporate members. Should the letters of credit be called upon by Lloyd's, the amount drawn down under the letter of credit would become payable to the bank on demand.

# Notes on the financial statements

31<sup>st</sup> December 1999

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- c) A Reinsurance to Close ("RITC") is a particular type of reinsurance contract entered into by a Lloyd's syndicate. Under an RITC the underwriting members of a syndicate for one year of account agree with the underwriting members of the syndicate, or another syndicate, for a later year of account that the liabilities, known and unknown, of the reinsured year of account are borne by the later year of account. In consideration of this an RITC premium is paid. The RITC is technically a reinsurance and as such the payment of the RITC premium does not remove from the members of that year of account the ultimate responsibility for claims payable on the risks they have underwritten. If the reinsuring members under the RITC become insolvent, and the other components of the Lloyd's chain of security also fail, the reinsured members remain theoretically liable for the payment of any outstanding claims. In the opinion of the directors, the probabilities of the reinsurance security failing are remote and therefore payment of the RITC premium is conventionally treated as terminating a participation on a syndicate year of account.

## 22 Ultimate and immediate parent undertaking

The company's ultimate parent undertaking is Ockham Holdings PLC, a company registered in England and Wales (Registered no. 2998217). The company's immediate parent undertaking is New London Capital plc, a company registered in England and Wales (Registered no. 2862672). Copies of the accounts of Ockham Holdings PLC can be obtained from their registered office at 164 Bishopsgate, London EC2M 4NY.